

(SUBSTITUTE)
RESOLUTION NO. A-_____

1 WHEREAS, it is the responsibility of the Lincoln Electric System (LES) Administrative
2 Board to develop and recommend to the City Council of the City of Lincoln rate schedules and
3 services regulations for electric service in the LES service area; and

4 WHEREAS, LES is experiencing extreme volatility in fuel prices for its generating
5 units as well as volatility in the price of wholesale power purchases which tend to follow the price
6 of natural gas; and

7 WHEREAS, this price volatility is both difficult to forecast and beyond the direct
8 control of LES staff; ^{gen}and

9 ~~WHEREAS, many electric utilities throughout the nation have implemented a~~
10 ~~mechanism known as a Power Cost Adjustment (PCA) that allows the utility to adjust the amount~~
11 ~~charged for retail electric service in order to generate the amount of revenue necessary to cover~~
12 ~~fluctuating changes in power costs; and~~

13 ~~WHEREAS, in 1980 the LES Administrative Board considered certain standards as~~
14 ~~required by the federal Public Utility Regulatory Policies Act of 1978 (PURPA), including PURPA~~
15 ~~Sections 113(b)(2) and 115(e) regarding automatic adjustment clauses such as PCA's; and~~

16 ~~WHEREAS, following public hearings on the PURPA standards in 1980, the LES~~
17 ~~Administrative Board adopted a standard to be utilized if LES implements the PCA which is~~
18 ~~incorporated herein by reference; and~~

19 ~~WHEREAS, such standard was also approved by the Lincoln City Council pursuant~~
20 ~~to Resolution No. A-67105 on September 2, 1980, and approved by the Mayor on September 9,~~
21 ~~1980; and~~

22 ~~WHEREAS, the LES Budget and Rates Committee met with staff to review in detail~~
23 ~~the recommendation to implement a PCA, consistent with the standard adopted by the LES~~

AMENDED 1/23/06

1 ~~Administrative Board and Lincoln City Council, with a targeted effective date of February 1, 2006;~~
2 ~~and~~

3 WHEREAS, the LES PCA would be determined based on the amount by which the
4 ~~production fuel costs and purchased power costs deviate from the LES Administrative Board's 2006~~
5 ~~budget approved base costs, and would be adjusted upwards and downwards commensurately with~~
6 ~~cost fluctuations, as they are incurred; and~~

7 WHEREAS, a public hearing on the PCA was held on Thursday, December 1, 2005,
8 ~~for the purpose of receiving public input from customers, following notice given to all customers~~
9 ~~through a billing insert in customer billing statements; and~~

10 WHEREAS, the LES Administrative Board directed the Budget and Rates Committee
11 ~~to give further consideration to the public input received at the hearing; and~~

12 WHEREAS, the Budget and Rates Committee met to consider the public input and
13 ~~advanced a modified recommendation that includes both a base rate increase and a PCA; and~~

14 WHEREAS, on December 16, 2005, the LES Administrative Board unanimously
15 ~~approved a 4.5 percent increase in base electric rates and implementation of a PCA to cover~~
16 ~~increased power costs and to meet LES' obligations to its bond holders and to maintain LES'~~
17 ~~financial integrity, and recommends approval of such by the Lincoln City Council.~~

18 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lincoln,
19 Nebraska that the following electric rate measures to generate the revenue necessary to cover the
20 projected increases in future power costs is hereby approved:

21 1. Implementation of a nominal 4.5 percent rate increase applied equally across
22 all customer rate classes to become effective with bills rendered on and after February 1, 2006; and

23 ~~2. Implementation of a power cost adjustment (PCA) to become effective with~~
24 ~~bills rendered on or after February 1, 2006, to generate revenue to cover fluctuating power costs~~
25 ~~on a monthly basis that exceed the amount generated from base rates.~~

1 BE IT FURTHER RESOLVED, that 2006 LES Rate Schedules that embody these
2 rate measures, which are attached hereto and incorporated herein by this reference, are hereby
3 approved.

4 * ~~BE IT FURTHER RESOLVED, that the Lincoln City Council will receive quarterly~~
5 ~~reports from LES regarding calculation of the PCA and that the city Council may review the PCA~~
6 ~~any time that LES' budgets or rates come before the City Council for consideration and action.~~

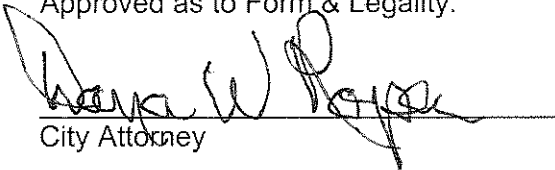
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See further Council Proceedings
on next page.

Introduced by:

Cook

Approved as to Form & Legality:


City Attorney

Approved this ____ day of _____, 2006:

Mayor

* BE IT FURTHER RESOLVED, that the City Council is desirous of studying the establishment of
fees consistent with the industry practice for public power to increase the cash flow for LES. For example, it is
customary for utilities to have an initial connection charge to open service and that this charge recovers the cost of
processing the service order, adding the new customer to the billing system, and gathering the required meter
readings. A further example would be a utility late payment charge to compensate LES for expenses associated with
delinquent payments.

BE IT FINALLY RESOLVED, that LES shall review and submit charges consistent with the
industry standards.

06R-5S

1/23/06 Council Proceedings:

MCROY Moved to adopt Bill No. 06R-5.
 Seconded by Marvin.

COOK Moved to accept the Substitute Resolution.
 Seconded by Marvin; 7-0.

CAMP Moved to continue public hearing & action for 2 weeks to Feb. 6. 2006.
 Seconded by Marvin & **LOST** by the following vote: AYES: Camp; NAYS:
Cook, Eschliman, Marvin, McRoy, Newman, Svoboda.

MARVIN Moved to amend Bill No. 06R-5 (as shown in Motion to Amend #1).
 Seconded by Newman & carried by the following vote: AYES: Cook, Eschliman,
Marvin, McRoy, Newman, Svoboda; NAYS: Camp.

COOK Moved to continue public hearing & action on Bill No. 06R-5S, as it was
amended, for two weeks to February 6, 2006.
 Seconded by Newman & carried by the following vote: AYES: Camp, Cook,
Eschliman, Marvin, McRoy, Newman, Svoboda; NAYS: None.

MOTION TO AMEND NO. 1

I hereby move to amend Bill No. 06R-5 in the following manner:

1. On pages 1, strike lines 9 through 23, and on page 2, strike lines 1 through 17.
2. On page 2, strike lines 23 through 25.
3. On page 3, strike lines 4 through 6, and insert in lieu thereof the following

language:

Be it further resolved that the City Council is desirous of studying the establishment of fees consistent with the industry practice for public power to increase the cash flow for LES. For example, it is customary for utilities to have an initial connection charge to open service and that this charge recovers the cost of processing the service order, adding the new customer to the billing system, and gathering the required meter readings. A further example would be a utility late payment charge to compensate LES for expenses associated with delinquent payments.

BE IT FINALLY RESOLVED, that LES shall review and submit charges consistent with the industry standards.

Introduced by:

Marvin

Approved as to Form & Legality:

AYES: COOK, ESCHLIMAN, MARVIN,
MCROY, NEWMAN, SVOBODA;
NAYS: CAMP.

City Attorney

Requested by: Dan Marvin

Reason for Request: To omit language regarding the Power Cost Adjustment and to study other revenue possibilities consistent with industry practice.